



# Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012

[WWW.AZASRS.GOV](http://WWW.AZASRS.GOV)

## **Special Notice** **Permanent Benefit Increase 2008**

### **Information:**

#### **Member Services Advisory Center**

Phoenix (602) 240-2000

Tucson (520) 239-3100

Toll-free (800) 621-3778

*November 20, 2007*

The ASRS Board of Trustees at its November 16 meeting accepted annual actuarial valuations of the various plans administered by the ASRS for the fiscal year ending June 30, 2007.

At the end of the most recent 10-year period used to determine the availability of excess earnings for the purpose of funding additions to the Permanent Benefit Increase (PBI) for retired members, there were no excess earnings and, therefore, there are no funds for an addition to the PBI in fiscal year 2008-09, which begins next July 1.

Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund. Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index, but is rather defined in statute to be determined based upon the excess average returns. Using this method to provide additions to members' pension benefits protects the trust fund by not reducing assets due to down markets, which would otherwise cause upward pressure on contribution rates.

Over the past dozen years there have been excess earnings and as a result, permanent benefit increases have been distributed. The cumulative effect of these PBIs that have been paid over the past 10 years has been in excess of 35-percent increase in the average retiree's monthly check.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases in the past years will continue to receive these in their pension check; there will simply not be a further increase for the coming fiscal year.

Investment performance, however, has been positive and projections for a PBI in the future are improving.

The ASRS uses a 10-year period to apply annual gains and losses on the total fund. This allows for a more stable funded status and contribution rate over time. Because losses from negative return years in 2001, 2002 and 2003 are still being recognized, the positive returns achieved over the past four years are balanced out, and have not been sufficient to build up the PBI pool.

# # #